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NEWS

ROBERT MAXWELL: THE AFTERMATH

Financial affairs shrouded in Liechtenstein mist

By Philip Sherwell in Vaduz

IN THE sleepy Liechtenstein capital of Vaduz (population 4,870), the dapper lawyer who runs the mysterious Maxwell Foundation learned of his client's death on teletext after watching the football results.

As he left the office at dusk yesterday, Dr Werner Keicher had still not been officially informed of the death.

"I am not expecting a phone call from London," said Dr Keicher, 47, snappily-dressed in a fur-lined raincoat, blue blazer and flowery tie. I imagine they need to sort things out there. But the foundation can carry on as long as it has assets."

From the mist-shrouded mountains of Liechtenstein, the view of the valleys was as impenetrable yesterday as Robert Maxwell's elaborately-woven web of financial interests. The media tycoon began using the nooks and crannies of the pint-sized principality's watertight secrecy laws in the 1950s to conduct business through a range of trusts and foundations.

However, the sudden demise of one of the most famous beneficiaries of the state's financial legislation has passed the 28,000 residents by. There is no physical evidence in Liechtenstein of the huge empire, not even a brass plate for his Maxwell Foundation.

But behind the smoked glass doors to Dr Keicher's offices is a list of other organisations registered at the address.

Yesterday's edition of the Liechtenstein Fatherland newspaper led with a report on higher education funding, but failed even to mention Mr Maxwell's fate.

"We are not that sort of newspaper," said editorial assistant Frau Kerstin Lubrich, explaining the paper's parish pump priorities. "We are more interested in the government session."

Dr Keicher became the Maxwell Foundation's sole board member after the retirement of his father, who had handled Mr Maxwell's affairs in the principality for three decades. He was strangely vague about the five charitable beneficiaries of the organisation he runs.

He recalled Aids research and support for local good causes. But his secretary had to remind him of the backing for work to promote Arab-Israeli understanding.

This could well be because the foundation's grants to four of the recipients are only occasional. The main beneficiary is the Liechtenstein Institute. The annual donation — believed to be less than £50,000 this year — allows the foundation to enjoy tax-free status.

Mr Maxwell is said never to have set foot inside his lawyer's plush office. But he did visit Liechtenstein this summer and met Prince Hans-Adam II.

Dr Keicher, a corporate lawyer who administers trusts and foundations, insists that he decides how the foundation's affairs are run, but adds: "There is not that much activity."

Dr Keicher used to speak to Mr Maxwell only every few months, and it seems they spent as much time discussing their shared love of soccer as business. "I liked him. He was a special man. He knew how to handle people," said the lawyer.

The intermittent communication raises questions about the extent of the financial operation now run from Liechtenstein. Several activities were apparently moved to Gibraltar this summer. Before the switch, the foundation is thought to have owned — usually through subsidiaries — 51 per cent of Mirror Group Newspapers and more than a third of Maxwell Communication Corporation.

Citing laws on confidentiality, Dr Keicher refused yesterday to discuss the foundation's assets or whether Mr Maxwell's debts would affect it.

Heirs win support of family's bankers

By Paul Murphy and Mary Brasier

A CRISIS in Robert Maxwell's business empire was averted last night after banks which are owed nearly £1 billion agreed to continue supporting the media magnate's private companies.

Mr Maxwell's youngest sons, Kevin, 32, and Ian, 34, confirmed as the chairmen of the two publicly-quoted companies, Maxwell Communication Corporation and Mirror Group Newspapers, declared "business as usual" after a day of meetings with financial advisers and bankers.

After a formal statement to the City today, dealing will resume in the shares of MCC and MGN. Trading was suspended on Tuesday when news of Mr Maxwell's disappearance was announced.

Kevin Maxwell said talks had been held with the "family" bankers — those which have lent to the complex web of private companies, but denied that similar talks were being held with bankers to the public companies.

"For the record, to assure employees and shareholders, there have been no such meetings," he said. Relations with the banks were "robust", and with MCC's next debt repayment deadline a year away, the company was not seeking refinancing.

Mr Maxwell said MCC was expected to announce an American asset sale in a few days to help pay its debts.

The brothers indicated a break with the traditional poor relationship between their father and his City critics by promising to liaise more with banks and investors. They have said they are unable to fill all the corporate roles vacated by their father's death and expect to appoint outsiders to the boards of some companies over the coming days and weeks.

The threat to Mr Maxwell's empire centred on concern over the finances of a string of privately-owned companies, ranging from the European newspaper to property and investments in the Bulgarian film industry. Mr Maxwell has borrowed heavily to finance these interests, using shares in the publicly-quoted companies as security.

Maxwell advisers believed they had averted the risk of a domino-type collapse following talks with seven banks which have agreed not to call in their loans to the private companies, or sell Maxwell group shares on which the borrowings are secured. Two American investment banks, Goldman Sachs and Lehman Brothers, which have significant stakes in Maxwell companies, have also agreed not to sell when dealings resume.

Kevin Maxwell was speaking at the end of a tense day which, he said, had been "very successful". Debts to the privately-held companies had been "exceptionally large" early in the year but had been cut by asset sales.

"We owe tremendous thanks to our family banks for their support," he said. He had no knowledge of a Stock Exchange investigation into share dealings before the suspension, although sources said this is under way.

Mr Maxwell confirmed the level of debt in the group was around £2·2 billion, with about £1·3 billion owed by the publicly-quoted companies.

He declined to say how the brothers planned to unscramble the web of private and offshore companies built by his father and which had been criticised in the City.

"I think any large business built up over decades is going to be substantially more complex than a corner shop," he said, adding an apology to those who had struggled to understand it.

"On the family side, when the head of a family business dies suddenly it is only natural that the institutions will want discussions," he said.

Representatives of one foreign bank who met the brothers yesterday said they would continue to support the companies because they were worth more than their debts. "It is important to be cool-headed. Emotion is natural but we have to avoid it because it could hurt people on the stock exchange."

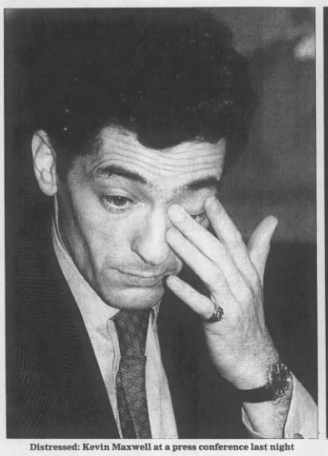
Many of the banks are also keen to give the brothers a chance to prove themselves in running the empire. "Kevin is a bright man, he is not as charismatic as Robert, but he is intelligent and well-trained, he should not be put under any extra pressure", said one representative of a foreign bank lender.

The brothers have represented to many of the banks personally in an attempt to head off the threat of panic-selling of Maxwell shares on the stock exchange when dealings restart.

● About 500 members of the Association of Mirror Pensioners, formed to boost the benefits of members of the MGN pension scheme, are believed to be planning legal action next week.

In July, the pensioners were offered increases of up to 80 per cent of the rise in RPI since retirement.

But they are believed to be seeking increases of 100 per cent in line with inflation, backdated to 1985, plus compensation for an alleged £40 million charged to the fund for 'administration and used in redundancy payments.



Distressed: Kevin Maxwell at a press conference last night

Red-eyed: Ian Maxwell spoke of his 'shattering personal loss'

Grieving sons pay tribute to 'a legend'

By Richard Savill

THE TWO sons taking over Robert Maxwell's empire paid tribute last night to their father — describing him as "a legend in his own lifetime" — and said outstanding libel suits by the Mirror Group would be continued and "pursued vigorously".

At a news conference at Maxwell House, Mr Ian Maxwell and his younger brother, Kevin, said it had been a "traumatic day".

"It would appear my father died of natural causes before he hit the water or at the moment of impact," said Mr Ian Maxwell, who was close to tears as he spoke of what he described as "a shattering loss".

He said he had no suspicions about events surrounding his father's death.

He said various sample tissues from the body were being sent to Oxford for tests at the request of the pathologist.

On the funeral arrangements, he said: "It was my father's wish that he be buried in Jerusalem. That is where he will be buried on Sunday.

"It is not clear whether the body will come back here first or go to Jerusalem."

On the allegations that their father had links with Mossad, the Israeli secret service, Mr Kevin Maxwell said: "Dad was a legend in his own lifetime and there are very few of them. I think the myth surrounding him will probably continue to grow for many years."

He said he was disappointed at the "cheap methods" used to sell a few extra copies of books.

Mr Ian Maxwell added: "My father made clear his total refutation of any allegations. His strong denial and outrage over this have been put. Let me make it absolutely clear that these libel suits brought by Mirror Group Newspapers will be continued and pursued vigorously."

The brothers said it had been "an incredibly busy time" and they had not had time fully to reflect on their father's death.

"My emotions have been simply to recognise we have an immense responsibility to thousands of employees, shareholders, readers and advertisers," Mr Ian Maxwell said.

His brother said they had been touched by the "outpourings of sympathy and affection from an unbelievable range of people".

Asked about the effect on his family of his father's death, Mr Ian Maxwell said his mother "has been enormously dignified, as you would expect, and extremely composed.

"She has had the able support of our elder brother who is a fluent Spanish speaker. My twin sisters have flown back from California where they live."

He said it had been a "shattering personal loss" and he was "amazed and terribly proud" at the way the family had handled the tragedy. "We will be strengthened by the love we have for each other," he said before closing the press conference.

● **Ben Fenton** writes: Further allegations about Mr Maxwell and Mossad emerged yesterday. These include a claim by a disgruntled former signals officer in Mossad that the publisher laundered money from illegal arms deals between several Communist bloc countries and Iran at the time of an international embargo.

Ari Ben-Menashe, who lives in Australia, alleged that Mr Maxwell also received a commission from the deals, which were brokered by Mr Ben-Menashe and other Israeli agents on behalf of the Shamir government between 1984 and 1987.

He said the deal was "sanctioned" by Mr Shamir and by the then American vice-president, Mr Bush. Mr Ben-Menashe also claimed that Mr Maxwell could have been killed by the Israelis.

He is one of the main sources for the book The Samson Option, in which the award-winning American journalist, Seymour Hersh, made allegations against Mr Maxwell and Mr Nicholas Davies, former foreign editor of the Daily Mirror.

But Mr Matthew Evans, Mr Hersh's British publisher, described Mr Ben-Menashe as "not a 100 per-cent, cast-iron, 24-carat source".

He said Mr Hersh had made repeated checks on the information from the Israeli before including it in The Samson Option.

Both Tel Aviv and Mr Maxwell vehemently denied any accusations of arms dealing with Iran and one American magazine investigating the allegations said Mr Ben-Menashe's file in Israel described him as "delusional".

Mr Maxwell had issued writs against the author and publishers of The Samson Option for libel.

The former intelligence officer also indicated that he believed the death of Mr Maxwell was connected with the Israelis.

He said the publisher was contemplating talking publicly about who authorised the arms deals.

"He was about to say: 'This is not my doing' ... I was authorised to do it'," said Mr Ben-Menashe.

Interviewed in Sydney by the Reuters news agency, Mr Beg-Menashe claimed that publication of the book had led to warnings from within Israel that "someone is going to go".

He said that a telephone call from Israel had warned him of a "hit-list" including his own name and that of the millionaire publisher.

He claimed that the arms deals, financed through the ministrations of Mr Maxwell, involved the sale of weapons — including "hundreds of thousands of shells" — from Poland, Yugoslavia, North Korea, and Vietnam to Iran during its war with Iraq.

Mr Hersh said in New York yesterday that he was about to reveal more information about Mr Maxwell's connection with the Israelis and arms deals.

Mr Evans said Mr Hersh had "a very big story about Mr Maxwell, Mossad and Vanunu", referring to Mr Mordechai Vanunu, the Israeli nuclear technician kidnapped by Mossad after revealing military secrets to a British newspaper.

Mr Hersh's book alleges that Mr Maxwell was in connivance with the Israeli government to publicly discredit Vanunu's story.

"Seymour Hersh told me last night that only about 20 per cent of his information about Mr Maxwell had been revealed.

"There is a lot more to come," Mr Evans said.

Ghislaine Maxwell in Santa Cruz yesterday

Closures at Mirror Group ruled out

By Jane Thynne and Richard Savill

ANY suggestion of closures or sell-offs in the Maxwell newspaper stable were staunchly denied yesterday by Mr Ian Maxwell, in his first act after stepping into his father's shoes as chairman of Mirror Group Newspapers.

He said in a statement that nothing would have distressed his father more than to think "that his business, and especially his newspapers, might suffer because of his passing".

But even as he spoke, staff, media owners and City analysts were examining every corner of the sprawling media empire, now bereft of its flamboyant founder.

In particular, their attention focused on The Mirror, the jewel in the crown of MGN, and the circumstances which could force its sale. If it should be sold, would its ownership pass to an existing newspaper tycoon like Tiny Rowland, or would an entirely new newspaper baron emerge?

In his statement, Mr Maxwell said he wanted "to assure our employees, our readers, our shareholders, our advertisers and our suppliers that the policies and traditions of Mirror Group Newspapers are unchanged and will be pursued with the vigour which my father would have wished. We are not going to be taken over or sold off. We are a highly profitable company with an outstanding editorial and management team, a strong asset base and publishing some of the most popular newspapers in Britain."

Mirror Group Newspapers, which comprises The Daily and Sunday Mirrors, The People, The Sporting Life, The Sporting Life Weekender, the Scottish Daily Record and the Sunday Mail, is the less debt ridden part of the Maxwell empire.

Mr Maxwell said it was a powerful company which had invested heavily in the "best colour machinery available", and a "profitable company which will carry us well into the next century".

Moreover, the papers were increasingly attractive to the young. "We have suffered the sad loss of our chairman, my father. But our company is sound, strong and successful and will continue to be so."

Mr Maxwell, a friend of the Kinnock family, also answered another question: would the death of his father mean that the backing he had always given to the Labour party be diluted? He said MGN newspapers had a long tradition of support for radical measures, restated by his father when he acquired the group in 1984.

"Our determination and commitment to social advance will not change," he said.

"I am, like he was, a member of the Labour party, but ours are independent newspapers which support the Labour party, not Labour party newspapers."

But it is the financial rather than the political direction of The Mirror which was under the most scrutiny last night.

While Robert Maxwell secured its future, turning it into a handsomely profitable paper, making £88 million operating profit in 1990, The Mirror has been losing sales ever since he took it over. Circulation has slid 19 per cent from 3·6 million to 2·9 million, while its chief rival The Sun has suffered only a 10 per cent drop in the same period, from 4·1 million to 3·7 million.

But the paper, purchased for £113 million by Robert Maxwell in 1984, and which was publicly floated earlier this year, is now considered ripe for sale.

"It has to be very vulnerable," said Mr Roy Greenslade, a former editor, now consultant editor at Today. "If the banks start calling in their debts and money has to be found, I would not be surprised if buyers emerged fairly soon."

Perhaps the least successful part of the Maxwell newspaper holdings is The European. It was launched in May, 1990, and, with sales of just 220,000, loses an estimated £250,000 a week.

The European, as well as other newspaper interests, including the recently-acquired New York Daily News, is 50 per cent stake in the Independent and a stake in the Maxwell paper in Jerusalem, was part of Robert Maxwell's private interests.

But Ian Maxwell's regular visits to the newsroom, more frequent indeed than those of his father, have fuelled a belief among staff that he might share his father's vision of a pan-European paper and avert closure.

However, Mr Greenslade forecast that The European would close. "It was a vanity publication and the man whose vanity it was there to satisfy is gone. The same applies to the New York Daily News, which I expect will be sold off." The New York Daily News, which Robert Maxwell bailed out in March, has cost the Maxwells an estimated £500,000 a week.

Mr Kevin Maxwell took over as publisher of the Daily News yesterday and said that the family's commitment to the paper would continue.

At the heart of the speculation, is whether Ian Maxwell, once famously sacked by his father for failing to meet him at the airport, would be able to hold the empire together.

"Ian is bright, he speaks fluent Japanese, French and German, and he is a pleasant man, but he's not the driving force that his brother Kevin is. We'll see if he's got what it takes," said one colleague.

Last night Mr Maxwell, who has been deputy chairman since May and a director of the company for more than two years, was experiencing the industrial realities of being a newspaper publisher. His promise not to change the policies or traditions of the Mirror Group was received badly by the National Union of Journalists.

Mr Jake Ecclestone, its deputy general secretary, said: "If we are being assured that there will be no change in the policies of the Maxwell company then that is bad news, because its policies towards employees have been deplorable."

Body may be flown to Israel for funeral

By Ohad Gozani in Tel Aviv and Michael Smith

ROBERT MAXWELL'S funeral is expected to take place in Israel on Sunday. Preparations were being made yesterday, despite uncertainty over whether the body would be released in time.

The ceremony is expected to take on the air of a state funeral with President Chaim Herzog and Prime Minister Yitzhak Shamir among the mourners.

Maxwell's office said last night his family wanted the publisher, a Czech-born Jew whose parents died in the Nazi Holocaust, to be buried in Israel, and that all of the formalities allowed.

Mr Dov Judkowski, editor of the Maariv newspaper, said Maxwell, a major shareholder, had told him several times he wanted to be laid to rest in Israel and Mrs Betty Maxwell may arrive with the body within two days.

Despite his Jewish background and Mr Shamir's description of him as a friend of Israel, Maxwell had not always appeared willing to admit his religious origins.

His former secretary, Anne Dove, told Tom Bower, author of the book Maxwell The Outsider that, when asked "he would jokingly reply, 'Can a Jew read the Sunday lesson?' referring to his attendance at the local church in Esher".

But he spoke more openly of his past when he began to invest in Israel around three years ago.

According to Mr Bower, the man who as a boy "wore a black skullcap day and night with long ringlets of hair dangling" was noticeably more Jewish during his visits to New York.

"Understandably, Maxwell had decided that unlike in New York, in Israel his race was no premium on being Jewish," Mr Bower said.

As the biggest foreign investor in Israel, Mr Maxwell's death dominated newspaper front pages and radio and television news bulletins.

He recently sold part of his holdings there but still controlled more than 80 per cent of Modiin Publishing, parent company of Maariv, Israel's second largest evening newspaper, and had stakes in a pharmaceutical company and a smaller publishing firm.

Lamont's boost for public services

Continued from P1

next year, helping to finance a further increase in student numbers. The science budget will also increase.

Attempts by the Treasury to reduce the Department of Employment's budget were successfully blocked by Mr Howard, Employment Secretary, who secured a £470 million increase.

The Department of Employment now expects to be able to offer places to nearly one million unemployed people on its training and employment action schemes next year.

The so-called "peace dividend" from the ending of the Cold War has also been delayed.

The Defence Department is to receive an extra £830 million next year to pay for replacing Gulf war equipment and redundancy payments as a result of scaling down the armed forces.

Mr Lamont, while cautious about predicting whether the recession was actually over, appeared confident that an economic upturn would come in time for a late spring or early summer election.

He said the 2 per cent fall in output forecast in the Budget was "now behind us" and he expected the economy to grow by ¼ per cent in the current half year. Consumer confidence had increased throughout the year, the last few months had seen a surge in business optimism, and it was increasingly clear that the country was emerging from recession.

But there was Opposition

MAIN POINTS

■ **The economy:**
- □ PSBR this year will be £10·5 billion (1·75 per cent of GDP)
- □ Output set to fall by 2 per cent this year
- □ Economy to grow by 2·25 per cent next year
- □ Planned spending in year from next April to rise by £5·5 billion from to £226·6 billion, but actual rise will be £11 billion when spending from reserves and privatisation proceeds are included
- □ Current account deficit in 1992 forecast at £9·5 billion

■ **Departmental increases:**
- □ £1·5 billion more for the National Health Service
- □ £1·4 billion extra for transport
- □ £4·25 billion for social security
- □ £1·4 billion for local authorities — more to be spent on schools
- □ £830 million for defence
- □ This year's trade deficit to be £6·5 billion

■ **Others:**
- □ British Rail to get £1·4 billion help for next year's £2·5 billion investment programme because of falling receipts
- □ School building money rises by 10 per cent more than inflation next year
- □ University and polytechnic funding rises by inflation plus 4·6 per cent to help cope with increased numbers

laughter and jeers when he added: "The economy may already have started to pick up".

Mr Lamont said the monthly rate of increase in unemployment in the year to March and was likely to moderate further in the next few months "as recovery gets under way".

Inflation, likely to be 4 per cent at the end of this year, would rise slightly early in 1992 as special factors such as interest rates dropped out of the Retail Prices Index.

It would fall back to 4 per cent by the end of next year, he said.

In a further retreat from Thatcherism, Mr Lamont confirmed that public spending as a share of national wealth (GDP) would rise slightly next year "before resuming a downward trend".

The current account deficit in 1992 was likely to be £9·5 billion compared with £6·5 billion this year.

The Treasury is predicting growth of 2¼ per cent next year — with 1¼ per cent in the first six months, by the end of which the election will have been held. At the meeting of the Cabinet yesterday Ministers voiced their confidence that by delaying the election until next year the effects of an economic upturn would be more widely felt.

After his Commons statement, Mr Lamont denied that the spending plans were a "cynical giveaway", saying: "We have done what we thought was necessary. It is the economy which will determine the election."

Mr Mellor also rejected the suggestion that the Government was involved in a "spree". He said: "It is a measured response to the situation we find ourselves in."

The statement was well received by most Tory MPs, who saw the "prudent" increases in public spending as well-timed move on the eve of today's by-elections in Kincardine and Deeside, Langbaurgh and Hemsworth.

Ministers hope that the extra spending will undermine Labour criticism of the Tory record on key public services, such as health and education, while demonstrating that the Government remains committed to the overall control of public spending.

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